



September 14, 2011

Ms. Marlene H. Dortch  
Secretary  
Office of the Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

**Notice of *Ex Parte* Meeting**

Re: *Ex Parte* Contact in Connect America Fund, WC Docket 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High Cost Universal Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecommunications Users Committee (Ad Hoc), Colleen L. Boothby and Andrew M. Brown, from this office, met with Commissioner Michael J. Copps and Margaret McCarthy, Policy Advisor, Wireline, on September 12, 2011. On the same date, the same individuals met separately with Angela Kronenberg, Wireline Legal Advisor for Commissioner Mignon Clyburn. On September 13, 2011, the same individuals met with Christine D. Kurth, Policy Director and Wireline Counsel for Commissioner Robert McDowell.

In all the aforementioned meetings, the discussion followed the attached outline, which was distributed to all meeting attendees.



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If you have any questions regarding this submission, please, contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew M. Brown'.

Andrew M. Brown  
Counsel, Ad Hoc Telecommunications Users  
Committee

Cc:  
Commissioner Michael J. Copps, michael.copps@fcc.gov  
Margaret McCarthy, margaret.mccarthy@fcc.gov  
Angela Kronenberg, angela.kronenberg@fcc.gov  
Christine D. Kurth, christine.kurth@fcc.gov

Attachment



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**ATTACHMENT - OUTLINE**  
**(Ex Parte Meeting on Universal Service and Intercarrier  
Compensation Reform, September 12 and 13, 2011)**



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### **Ad Hoc Telecommunications Users Committee Response to ABC Plan**

Ad Hoc is a long-time participant in the Commission's efforts to reform the Universal Service Fund ("USF") and Intercarrier Compensation ("ICC") system and supports many of the proposals in the NPRM.

#### **USF REFORM SHOULD FOCUS ON ALLOCATING THE RIGHT AMOUNT OF SUBSIDY TO THE RIGHT PROVIDER USING THE MOST COST EFFICIENT BROADBAND TECHNOLOGY.**

- Competitive mechanisms, such as **reverse auctions**, offer the best method for identifying the provider that can deliver broadband in the most cost effective manner to the largest number of households in a service area.
  - Auction participation should be competitively neutral and technology agnostic.
  - One subsidy recipient per service area (*i.e.*, one auction "winner"), and no subsidies to any provider in a service area that is already served by an unsubsidized provider.
- If multiple providers do not participate in a reverse auction, the FCC should use a **Forward Looking Economic Cost ("FLEC") Model** to determine the appropriate amount of subsidy a provider receives.
- Meaningful reform is impossible if incumbent providers are guaranteed a subsidy, regardless of need or efficiency, as the ABC Plan proposes:
  - Right of first refusal
  - Decade-long transition period
  - Outdated rates of return
  - No correction for unreasonably low retail rates (Ad Hoc supports proposals in the NPRM to impute reasonable local rates before sizing any USF subsidy or need for revenue neutrality)



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- Guaranteed subsidy payments that are never subject to periodic review or “re-bidding” as technology costs change

**INTERCARRIER COMPENSATION REFORM CANNOT GUARANTEE “REVENUE NEUTRALITY.”**

- There is no statutory basis for adopting guaranteed carrier revenue streams, especially for carriers who claim to face competition.
- Rate increases to produce revenue neutrality must be just and reasonable, *i.e.*, based on cost recovery and economic efficiency
  - At a minimum, any “need” for revenue support must be based upon imputation of a local rate benchmark.
  - Requests for revenue support should be based on actual need, justified by a showing of auditable financial data.

**THE FCC CAN ACHIEVE LONG-TERM USF/ICC REFORM BY ADDRESSING RURAL ISSUES ON A SEPARATE TRACK.**

- Large “price-cap” carriers have no basis for asserting need for revenue guarantees, a concept that is inconsistent with incentive regulation.
- Large carriers will likely save money under ICC reform measures without revenue neutrality if the FCC immediately adopts rules to address traffic pumping.
- Small, rural carriers’ revenue transition requirements can be addressed by the FCC on a longer time frame and separate from immediate reform measures adopted for large carriers.